

## Message Text

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70

ORIGIN TRSE-00

INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02

SS-20 STR-08 TAR-02 USIA-15 PRS-01 SPC-03 FEA-02

OMB-01 SAM-01 SWF-02 NEA-10 EA-11 /218 R

DRAFTED BY TREAS:DSTOUGHTON  
APPROVED BY EB/IFD/OMA:JKRIZAY  
TREAS:GC:ECSCHMULTS  
TREAS:GC:MBRADFIELD  
STR:AWWOLFF  
STATE:TMINNIES  
STATE:WADAMS  
STATE:RMEIMA

----- 071393

R 281929Z FEB 74  
FM SECSTATE WASHDC  
TO USMISSION OECD PARIS  
INFO USMISSION GENEVA

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E.O : 11652/NA

TAGS : EFIN

SUBJECT: GATT PANELS ON DISC AND OTHER TAX PRACTICES

REF : (A) GENEVA 4044 (B) GENEVA 286 (C) STATE 13985

1. REQUEST YOU INVESTIGATE THE AVAILABILITY OF MEMBER OF  
OECD STAFF TO SERVE AS TAX EXPERT ON FOUR GATT PANELS  
WHICH HAVE BEEN CONVENED BY THE GATT COUNCIL. (REF. A).  
THESE PANELS, ESTABLISHED ON JULY 30, 1973, ARE TO CONSIDER  
THE COMPATIBILITY WITH THE GATT OF DISC LEGISLATION AND  
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CERTAIN RELATED TAX PRACTICES OF BELGIUM, FRANCE AND THE

NETHERLANDS WHICH U.S. BELIEVES HAVE AN EFFECT SIMILAR TO THE DISC.

2. THE PANELS ARE TO HAVE IDENTICAL MEMBERSHIP CONSISTING OF A CHAIRMAN, TWO GATT EXPERTS AND TWO TAX EXPERTS (REFS. B AND C) TO BE SELECTED WITH THE AGREEMENT OF THE PARTIES CONCERNED. THE GATT SECRETARIAT HAS ASKED THE UNITED STATES, THE EUROPEAN COMMUNITY, AND BELGIUM, FRANCE AND THE NETHERLANDS FOR SUGGESTIONS CONCERNING INDIVIDUALS TO SERVE AS TAX EXPERTS ON THE PANELS.

3. THE WORK OF THE PANELS WILL INVOLVE AN IMPORTANT APPLICATION OF THE SUBSIDIES PROVISIONS OF ARTICLE XVI OF THE GENERAL AGREEMENT TO THE U.S. DISC LEGISLATION AND TO THE TAX PRACTICES OF THE EUROPEAN NATIONS CONCERNED. IN

VIEW OF THE COMPLEXITY AND IMPORTANCE OF THE ISSUES IN THESE CASES, IT IS IMPORTANT THAT THE PANEL MEMBERSHIP INCLUDE TAX EXPERTS WHO POSSESS THE PROPER TAX EXPERTISE AND OBJECTIVITY TO ANALYZE THE VARIOUS TAX PRACTICES INVOLVED.

4. WE FEEL THAT THE IMF HAS ON ITS STAFF INDIVIDUALS WHO MEET THESE QUALIFICATIONS AND WE HAVE REQUESTED THE IMF TO PERMIT A MEMBER OF ITS STAFF TO SERVE AS A TAX EXPERT ON THE PANELS. AS THE GATT DOES NOT HAVE FUNDS AVAILABLE FOR THIS PURPOSE, AND WE DO NOT BELIEVE IT WOULD BE APPROPRIATE FOR THE GOVERNMENTS AT INTEREST TO PAY IN SUCH A CASE, WE HAVE ALSO ASKED THE IMF TO AGREE TO PAY THE SALARY AND INCIDENTAL EXPENSES OF ANY IMF OFFICIAL WHILE HE IS SERVING AS A MEMBER OF THE PANELS. THE IMF HAS INDICATED THAT IT WOULD BE MORE WILLING TO PARTICIPATE IN THE PROCEEDING IF OTHER INTERNATIONAL ORGANIZATIONS, SUCH AS THE OECD, ALSO PARTICIPATED.

5. THEREFORE WE ARE REQUESTING THAT YOU INVESTIGATE THE AVAILABILITY OF JOHN HACKETT, AN ECONOMIST ON THE OECD STAFF TO SERVE AS A TAX EXPERT ON THE PANELS. THE EC HAS SUGGESTED MESSERE OF THE OECD SECRETARIAT AS A TAX EXPERT AND THEREFORE WE ASSUME THAT THE OECD WOULD PERMIT LIMITED OFFICIAL USE

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A MEMBER OF ITS STAFF TO SERVE ON THE PANELS. MESSERE IS LIKELY TO FEEL HE WOULD BE IN A VULNERABLE POSITION IN VIEW OF HIS CONTINUING RELATIONS WITH THE PARTIES AT INTEREST AND IS THEREFORE CONSIDERED UNACCEPTABLE TO U.S. THEREFORE WE REQUEST THAT YOU DETERMINE THE AVAILABILITY OF HACKETT WHOM WE BELIEVE POSSESSES THE PREREQUISIT TAX EXPERTISE. CASEY

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**TAGS:** EFIN, GATT  
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